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RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

SILICON IMAGE, INC.,

Plaintiff,

v.

ANALOGIX SEMICONDUCTOR, INC.,

Defendant.

No. C-07-0635 JCS REDACTED

**ORDER RE MOTIONS FOR SUMMARY
JUDGMENT [Docket Nos. 207, 175]**

FILED UNDER SEAL

I. INTRODUCTION

On January 31, 2007, Plaintiff Silicon Image, Inc. ("Silicon Image") filed this action against Analogix Semiconductor ("Analogix"), asserting claims for copyright infringement, trade secret misappropriation and unfair competition. Analogix has asserted a counterclaim for breach of contract against Silicon Image. The parties have consented to the jurisdiction of the undersigned magistrate judge pursuant to 28 U.S.C. § 636(c). The parties have filed motions for summary judgment. A hearing on the motions was held on Friday, October 31, 2008 at 9:30 a.m. For the reasons stated below, Silicon Image's summary judgment motion is GRANTED. Analogix's summary judgment motion is GRANTED in part and DENIED in part.

1 **II. BACKGROUND¹**

2 **A. Procedural Background**

3 In its original complaint, Silicon Image asserted three causes of action: 1) direct and indirect
4 copyright infringement in violation of the Copyright Act (17 §§ U.S.C. 101 *et seq.*); 2) trade secret
5 misappropriation in violation of California's Uniform Trade Secrets Act (California Civil Code §§
6 3426 *et seq.*); and 3) unfair competition in violation of California's Business and Professions Code
7 §§ 17200 *et seq.* Analogix filed a motion to dismiss on March 8, 2007, arguing that Silicon Image's
8 unfair competition claim was preempted by the federal Copyright Act and California's Uniform
9 Trade Secrets Act. In an order filed May 16, 2007, the Court agreed with Analogix that the unfair
10 competition claim was preempted to the extent it was based on alleged copyright infringement and
11 trade secret theft. However, it also concluded that Plaintiff had alleged sufficient facts to support an
12 unfair competition claim based on intentional interference with contract and false advertising, neither
13 of which was preempted. Accordingly, Silicon Image was permitted to amend its complaint to
14 properly allege its unfair competition claim.

15 On May 30, 2008, Silicon Image filed its First Amended Complaint, in which it added a
16 claim for intentional interference with contractual relations and clarified the grounds on which its
17 unfair competition claim was based. With respect to the unfair competition claim, Silicon Image
18 alleges in the First Amended Complaint that: 1) Analogix intentionally interfered with Silicon
19 Image's Software License Agreements with its customers; and 2) Analogix has engaged in false
20 advertising by promoting its chip as "drop-in replaceable" with Silicon Image's chip. In particular,
21 the First Amended Complaint alleges that promotion of Analogix's chips as drop-in replaceable
22 "misleads Silicon Image's customers that they can use Silicon Image's configuration software with
23 other chips, namely, Analogix chips, even though the Software License Agreement prohibits such
24 use." First Amended Complaint, ¶ 38.

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26 ¹A detailed discussion of the factual background of this case can be found in the Court's
27 December 20, 2007 order denying Silicon Image's motion for a preliminary injunction. *See* Docket No.
28 119.

1 On June 18, 2007, Analogix filed an answer to the First Amended Complaint and asserted a
2 counterclaim for breach of contract. The counterclaim is based on the allegation that Silicon Image
3 breached the confidentiality provisions of the Authorized Test Center Agreement ("ATC
4 Agreement") between Silicon Image and Analogix, under which materials and information supplied
5 by Analogix for compliance testing may be disclosed only to Silicon Image employees who are
6 involved in compliance testing.

7 On July 14, 2008, Silicon Image dismissed its copyright claim to the extent it was based on
8 indirect infringement, stipulating that it would not be pursuing its claims for contributory
9 infringement or inducement to infringe at trial, but rather, would be proceeding with the claim only
10 on a theory of direct infringement. In the same stipulation, Silicon Image dismissed its claim for
11 intentional interference with contract and dropped intentional interference with contract as a basis for
12 the unfair competition claim.

13 **B. Plaintiff's Motion**

14 Silicon Image asserts in its motion that it is entitled to summary judgment on the
15 counterclaim for breach of contract asserted by Analogix if Analogix seeks actual damages on that
16 claim because Analogix has failed to identify any evidence of actual damages arising from the
17 alleged breach. Silicon Image assumes, for the purposes of the motion, that there was a breach of the
18 ATC Agreement. In the alternative, if Analogix seeks only nominal damages on its counterclaim,
19 Silicon Image asks that the Court grant partial summary judgment on the question of actual damages
20 and exclude any evidence or arguments at trial that Analogix suffered actual damages arising from
21 the alleged breach of contract. Silicon Image argues that it will be extremely prejudiced if Analogix
22 is permitted to allege new facts or theories relating to damages, given that discovery is long since
23 closed.

24 Analogix argues that it has produced sufficient evidence of actual damages to survive
25 summary judgment and that it should be allowed to present that evidence to the jury. First,
26 Analogix cites to extensive testimony by Silicon Image employees that it asserts establishes that
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1 Analogix's confidential information was disclosed to Silicon Image sales and marketing employees
2 who were not involved in compliance testing. Opposition at 5-7. Analogix asserts that the
3 disclosure of its confidential information gave Silicon Image an unfair advantage with its
4 competitors and notes that Kati Selan, an ATC Coordinator employed with HDMI LLC,
5 acknowledged that the purpose of the confidentiality provision in the ATC Agreement was to protect
6 those who submit chips for compliance testing from "unfair competition." *See* Declaration of Ryan
7 J. Padden in Support of Analogix Semiconductor, Inc.'s Opposition to Silicon Image, Inc.'s Motion
8 for Summary Judgment, or in the Alternative, Motion in Limine ("Padden Opposition Decl."), Ex. 1
9 (Selan Deposition Testimony) at 39.

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15 Padden Opposition Decl., Ex. 16. According to Analogix, this email was itself the result of a breach
16 of the ATC Agreement because it followed submission, on **REDACTED** of the **REDACTED** chip for
17 testing, which Analogix asserts was improperly revealed to Silicon Image employees who were not
18 involved in compliance testing. *Id.*, Ex. 18. The latter assertion is based on evidence that one week
19 after the ANX 8077 was submitted, Silicon Image's attorneys at the law firm of Fenwick & West
20 began accessing Analogix's web pages on ANX 8077. According to Analogix, Silicon Image
21 reversed the policy on June 18, 2008. *Id.*, Ex. 17. The refusal to accept Analogix chips for testing
22 during the 9-month interim period, Analogix asserts, placed it at a marketing disadvantage and

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Id.,

25 Ex. 20 (Jack Hsieh Deposition Testimony) at 110. Analogix further asserts that to the extent it might
26 have had its chips tested at facilities run by other companies, such as Panasonic's ATC in Japan,
27 Analogix would have been at a disadvantage because of the geographical inconvenience of using
28 these facilities. *See id.* at 104.

1 Analogix argues in the alternative that even if the Court finds that its claim for actual
2 damages fails, it should be permitted to proceed to trial on its counterclaim for an award of nominal
3 damages. It rejects Silicon Image's assertion that it did not meet the disclosure requirements of
4 discovery.

5 **C. Defendant's Motion**

6 In its Motion for Summary Judgment, Analogix asserts that it is entitled to judgment as a
7 matter of law in its favor on Plaintiff's claims for copyright infringement and unfair competition.
8 With respect to the copyright claim, Analogix argues that the claim fails because: 1) Silicon Image
9 has no evidence that Analogix's source code is substantially similar to Silicon Image's copyrighted
10 source code; and 2) the email on which Silicon Image relies in support of the claim – an email
11 between Analogix employees containing the Silicon Image source code ("the April 4 Email") – is
12 insufficient to establish a claim of infringement because it does not support an award of injunctive
13 relief or damages. Analogix argues that damages are not available because the Email was sent before
14 the copyright on the source code was issued and because there is no evidence Analogix ever used the
15 source code. It also states that although it assumes for the purposes of the motion the Email is a de
16 minimis act of infringement, it "may argue" that there was no infringement because the Email was
17 sent between two employees in China and thus, did not occur within the United States. With respect
18 to injunctive relief, Analogix argues that the April 4 Email is not sufficient to show a threat of future
19 violations.

20 Analogix argues that it is entitled to summary judgment as to the unfair competition claim
21 based on insufficient evidence. In particular, Analogix argues that Silicon Image has not offered any
22 evidence showing that Analogix engaged in unfair or fraudulent business practices and that Silicon
23 Image's evidence of unlawful business practices is insufficient. First, Analogix argues that Silicon
24 Image has presented insufficient evidence of intentional interference with contract. Second,
25 Analogix asserts that Silicon Image's evidence of false advertising fails because Silicon Image has
26 failed to identify any specific customer or potential customer to which Analogix has marketed its
27 chips as "drop-in replaceable" with Silicon Image's chips. Further, Analogix argues, Silicon Image
28 has not produced any extrinsic evidence that: 1) any customer was confused or misled; 2) any of

1 Analogix's advertisements were misleading or untrue; or 3) that any misrepresentations were
2 material to any customer making purchase decisions.

3 In its Opposition, Silicon Image argues that it has presented sufficient evidence to survive
4 summary judgment as to both its copyright claim and its unfair competition claim. With respect to
5 the copyright claim, Silicon argues that the Email is sufficient to give rise to a material factual issue
6 as to direct infringement because: 1) a copyright protects a work from the date of creation, if the
7 copyright is issued after the alleged infringement; and 2) there is evidence that the email was stored
8 on a server in the United States, which provides a sufficient basis to find infringement under U.S.
9 copyright law.² Silicon Image further asserts that there is a factual issue as to whether injunctive
10 relief is warranted in light of evidence that Analogix's "entire business model is based on stealing
11 Silicon Image's intellectual property." Opposition at 10. Silicon Image does not dispute that it is not
12 entitled to damages on this claim.³

13 Regarding the unfair competition claim, Silicon Image argues that the claim should survive
14 summary judgment because there is sufficient evidence of false advertising to create a factual issue.
15 First, Silicon Image asserts that Analogix has relied on incorrect case law to support its argument
16 that Silicon Image must produce extrinsic evidence that customers were misled by its advertising.
17 According to Silicon Image, California courts have expressly rejected the reasoning found in the line
18 of federal cases cited by Analogix. Second, Silicon Image points to evidence that Analogix did, in
19 fact, market its chips as drop-in replaceable. Third, Silicon Image points to evidence that Analogix's
20 chips were not software-compatible with the Silicon Image chips (even though they may have been
21 pin-compatible and register compatible), which prevents them from being drop-in replaceable.
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25 ²Silicon Image does not dispute that its source code is not substantially similar to that of
26 Analogix. See Opposition at 7. In its Reply brief, Analogix argues that in light of this concession, it
27 should be awarded partial summary judgment that its source code does not infringe Silicon Image's
copyrights. Based on Silicon Image's non-opposition, the Court grants Analogix's request for summary
judgment on this issue.

28 ³Silicon Image stipulated at oral argument that it is not seeking damages on this claim and is only
seeking injunctive relief.

1 **III. ANALYSIS**

2 **A. Legal Standard Applicable to Rule 56 Motions**

3 Summary judgment is appropriate “if the pleadings, depositions, answers to interrogatories,
4 and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to
5 any material fact and that the moving party is entitled to judgment as a matter of law.” Fed. R. Civ.
6 P. 56(c). In order to prevail, a party moving for summary judgment must show the absence of a
7 genuine issue of material fact with respect to an essential element of the non-moving party’s claim,
8 or to a defense on which the non-moving party will bear the burden of persuasion at trial. *Celotex*
9 *Corp. v. Catrett*, 477 U.S. 317, 323 (1986). Further, “*Celotex* requires that for issues on which the
10 movant would bear the burden of proof at trial, that party must show affirmatively the absence of a
11 genuine issue of material fact,” that is, “that, on all the essential elements of its case on which it
12 bears the burden of proof at trial, no reasonable jury could find for the non-moving party.”
13 *Fitzpatrick v. City of Atlanta*, 2 F.3d 1112, 1116 (11th Cir.1993). Once the movant has made this
14 showing, the burden then shifts to the party opposing summary judgment to designate “specific facts
15 showing there is a genuine issue for trial.” *Id.* at 323. On summary judgment, the court draws all
16 reasonable factual inferences in favor of the non-movant. *Anderson v. Liberty Lobby Inc.*, 477 U.S.
17 242, 255 (1986).

18 **B. Plaintiff’s Motion**

19 **1. Background**

20 In August 2005, Silicon Image and Analogix entered into an Authorized Test Center
21 Agreement (“ATC Agreement”), which set forth the terms by which Analogix could provide
22 products and related materials to the Silicon Image testing center for compliance testing. Silicon
23 Image, Inc. and Analogix Semiconductor, Inc.’s Joint Statement of Undisputed Facts Relating to
24 Silicon Image, Inc.’s Motion for Summary Judgment (“Joint Statement of Undisputed Facts”), No. 1.
25 The ATC Agreement includes a confidentiality provision, which provides, in part, as follows:

26 All Confidential Information furnished pursuant to the Authorized Test Center Agreement
27 may be used solely for the purpose of HDMI compliance testing (“the Business Purpose”).
28 No other right, license or authorization, express or implied, to make, have made, or otherwise
use is granted and each party agrees to be so limited with respect to all Confidential
Information hereby received. All Confidential Information shall remain that of the disclosing

1 party. The receiving party acknowledges that all Confidential Information is owned solely by
2 the discloser (or its licensor).

3 Neither party shall disclose Confidential Information received from the disclosing party to
4 any third party nor use such Confidential Information for any purpose other than the Business
5 Purpose. Provided that the parties may disclose Confidential Information to the HDMI Agent
6 for purposes of establishing compliance with the Adopter Agreement. The receiving party
7 shall use the same degree of care in maintaining the confidentiality of the Confidential
8 Information as it uses with respect to its own information that is regarded as confidential
and/or proprietary by such party, but in any case shall at least use reasonable care. Each party
agrees that it will restrict the access of all Confidential Information to only those of its
employees and consultants who have need to be informed of the Confidential Information for
the purposes for which the Confidential Information is provided, which persons will be
bound to the receiving party by an agreement of confidentiality that contains substantially the
same obligations as contained in these Terms and Conditions.

9 Declaration of Micahel R. O'Neill in Support of Plaintiff and Counter-Defendant Silicon Image,
10 Inc.'s Motion for Summary Judgment, or in the Alternative, Motion *in Limine* ("O'Neill Motion
11 Decl."), Ex. A (ATC Agreement) at 3.

12 Analogix alleges in its Counterclaim that it provided confidential information to Silicon
13 Image under the ATC Agreement in connection with compliance testing of certain of Analogix's
14 HDMI chips. Joint Statement of Undisputed Facts, No. 2. Analogix further alleges that Silicon
15 Image passed this information on to employees who were not involved in the compliance testing
16 process and in doing so, breached the ATC Agreement. *Id.*, No. 3. In its counterclaim, Analogix
17 alleges that as a result of Silicon Image's breach of the ATC Agreement, it has suffered "great harm
18 and damage." Defendant Analogix Semiconductor, Inc.'s (1) Answer to Silicon Image's First
19 Amended Complaint and (2) Counterclaim ("Answer and Counterclaim") at 17.

20 In its initial disclosures, served on May 4, 2007, Analogix stated that "[a]t this time,
21 Analogix has not asserted a claim for monetary damages against Silicon Image in this action." Joint
22 Statement of Undisputed Facts, No. 6. It is undisputed that Analogix did not update this response.
23 Undisputed Fact No. 7. On July 13, 2007, Analogix responded as follows to an interrogatory by
24 Silicon Image asking Analogix to state all facts supporting or contradicting the claim that it was
25 damaged by Silicon Image's alleged breach of the ATC Agreement;

26 Analogix has been harmed by the fact that the Silicon Image employees involved in
27 certification testing disclosed Analogix's confidential business information, including the fact
28 that Analogix had submitted a product for testing and that Analogix believed that it had a
product that would pass certification testing, to Silicon Image's director of product
marketing, an individual who had no right to have access to Analogix's Confidential
Information. Silicon Image's marketing personnel's use of such information about Analogix,

1 including information as to Analogix's likely release of competing products into the
2 marketplace, provides Silicon Image a competitive advantage of Analogix, which causes
harm to Analogix.

3 Joint Statement of Undisputed Facts, No. 9.

4 Expert reports in this action were due on July 18, 2008. Joint Statement of Undisputed Facts,
5 No. 10. Analogix did not issue an expert report addressing damages on its counterclaim. Dr. Allen
6 Cox, the expert retained by Analogix to rebut Silicon Image's damages expert, testified that he was
7 originally engaged to address the question of damages on the counterclaim but that after spending
8 approximately 100 to 130 hours on the issue, Analogix's attorneys advised him to stop working on
9 that question because they had decided not to issue an expert report on Analogix's damages. O'Neill
10 Motion Decl., Ex. E at 26-28.

11 Silicon Image, in turn, noticed a Rule 30(b)(6) deposition to address, *inter alia*, Analogix's
12 damages on the counterclaim. Padden Opposition Decl., Ex. 22 (deposition notice). After Analogix
13 had designated a witness and a deposition had been scheduled, however, Silicon Image cancelled the
14 deposition and did not reschedule it. *Id.*, ¶ 25 & Ex. 24.

15 On February 26, 2008, Analogix asked Silicon Image to remove the "Outside Attorney Eyes
16 Only" designation that Silicon Image had placed on approximately 200 documents that had been
17 produced by Silicon Image in discovery. *Id.*, Ex. 25. According to Analogix, the designation on
18 these documents did not satisfy the requirements of the protective order in this case. *Id.* According
19 to Analogix's counsel, Silicon Image removed the designations from correspondence between
20 Silicon Image and Analogix but refused to remove the designation from internal Silicon Image
21 documents. *Id.*, ¶ 25. According to Analogix, because these documents could not be reviewed by
22 Analogix's business personnel "to assess the damages caused by" Silicon Image's breaches of the
23 ATC Agreement, Analogix's employees were unable to discover how Silicon Image misused
24 Analogix's information and thus impaired their ability to prepare discovery responses on that
25 question. Opposition at 11-12.

1 **2. Evidence of Actual Damages**

2 Silicon Image argues that to the extent Analogix seeks actual damages on the counterclaim,
3 the claim should be dismissed, citing an absence of evidence that could support a reasonable
4 determination of the extent of damages. The Court agrees.

5 In order to establish a breach of contract under California law,⁴ a plaintiff must establish the
6 following elements: 1) the existence of the contract; 2) performance by the plaintiff or excuse for
7 nonperformance; 3) breach by the defendant; and 4) damages. *First Commercial Mortgage*
8 *Company v. Reece*, 89 Cal. App. 4th 731, 745(2001) (citing 4 Witkin, Cal. Procedure (4th ed. 1997)
9 Pleading, § 476). Even where no actual damages can be established, a plaintiff who has established
10 that a contract was breached is entitled to an award of nominal damages as the breach itself is a
11 “legal wrong that is fully distinct from the actual damages.” *Sweet v. Johnson*, 169 Cal. App. 2d
12 630, 632 (1959); *see also* Cal. Civ. Code Section 3360 (“When a breach of duty has caused no
13 appreciable detriment to the party affected, he may yet recover nominal damages”).

14 Where a breach of contract causes actual damages, the measure of damages is as follows:

15 For the breach of an obligation arising from contract, the measure of damages, except where
16 otherwise expressly provided by this code, is the amount which will compensate the party
17 aggrieved for all the detriment proximately caused thereby, or which, in the ordinary course
of things, would be likely to result therefrom.

18 Cal. Civ. Code Section 3300. Section 3301 further provides that damages on a breach of contract
19 must be “clearly ascertainable in both their nature and origin.” Cal. Civ. Code Section 3301.
20 California courts have held that “[w]here the *fact* of damages is certain, the amount of damages need
21 not be calculated with absolute certainty.” *GHK Assoc. v. Mayer Group, Inc.*, 224 Cal. App. 3d 856,
22 873 (1990). The court in *GHK* explained, “[t]he law requires only that some reasonable basis of
23 computation of damages be used, and the damages may be computed even if the result reached is an
24 approximation.” *Id.*

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27 ⁴Although the ATC Agreement includes a choice of law provision specifying that it shall be
28 governed by New York law, the parties have stipulated that the law of California does not differ from
that of New York with respect to the issues raised by Silicon Image’s motion and therefore, that
California law may be applied in determining the motion.

1 Here, Analogix has cited to evidence from which a jury might find a breach of the ATC
2 Agreement. On the basis of this evidence, Analogix is entitled to present its breach of contract
3 claim, at least as to a claim for nominal damages. Analogix has also presented evidence from which
4 a jury could conclude that Analogix suffered some actual damage from the breaches, based on the
5 competitive advantage Silicon Image allegedly obtained from disclosure of Analogix's confidential
6 information.

7 What is entirely absent is any evidence that would provide a reasonable basis for *quantifying*
8 these damages. Although Analogix states that it will establish the amount of actual damages through
9 witness testimony at trial, it does not offer a single example of deposition testimony or other
10 evidence that will provides a basis for determining how much Analogix might have suffered, in
11 monetary terms, from either the improper disclosure of specific confidential information to Silicon
12 Image employees or Silicon Image's alleged refusal to test Analogix chips at its ATCs in Shenzhen
13 and Shanghai.⁵ Having pointed to no evidence or methodology that suggests any reasonable basis
14 for determining actual damages, Analogix's claim for actual damages on its counterclaim cannot
15 survive summary judgment.⁶ Further, Analogix may not present any evidence at the trial that it
16 suffered actual damages as a result of the conduct alleged in the counterclaim.

17 **C. Defendant's Motion**

18 **1. The Copyright Claim**

19 Analogix asserts that it is entitled to summary judgment on Silicon Image's copyright claim
20 because: 1) it is undisputed that its source code is not substantially similar to that of Silicon Image
21 and; 2) the only evidence of infringement, the April 4 Email, fails as a matter of law because it
22 cannot support an award of either damages or injunctive relief. Silicon Image does not dispute that
23 its source code is not substantially similar to that of Analogix. Nor does it argue that it is entitled to
24 damages on this claim. Conversely, Analogix does not dispute, at least for the purposes of this

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26 ⁵The Court assumes for the purposes of resolving Silicon Image's motion that the latter category
27 of damages would satisfy the causation requirements for actual damages but does not decide that
28 question.

⁶Because the Court concludes that Analogix's claim for actual damages fails as a matter of law,
it need not reach Silicon Image's argument that Analogix should be precluded from presenting evidence
of actual damages as a discovery sanction under Rule 37 of the Federal Rules of Civil Procedure.

1 motion, that the April 4 Email constitutes an act of infringement. Thus, the only issue that remains
2 for the Court is whether there is sufficient evidence that injunctive relief might be warranted for the
3 claim to survive summary judgment. The Court finds that there is and therefore denies Analogix's
4 request for summary judgment on this claim.

5 "[A]s a general rule, a copyright plaintiff is entitled to a permanent injunction when liability
6 has been established and there is a threat of continuing violations." *Universal Studios, Inc. v. Sony*
7 *Corp. of America*, 659 F.2d 963, 975 (9th Cir. 1981), *rev'd on other grounds*, 464 U.S. 417 (1984).
8 Analogix argues that the April 4 Email is insufficient to support injunctive relief because there is no
9 evidence in the record that Analogix is ever going to resend the April 4 email or use the SiI9030
10 source code that was copied in it. Analogix cites to deposition testimony by its employee, Fei Yao,
11 that Analogix "did not use any code from any other company" when it developed its 9030 firmware.
12 Declaration of David S. Amelming in Support of Analogix Semiconductor, Inc.s Motion for
13 Summary Judgment "Amelming Motion Decl."), Ex. 7.

14 On the other hand, Silicon Image argues that there is a threat of future copyright violations
15 because Analogix's "entire business model is based on stealing Silicon Image's intellectual
16 property." In support of this contention, Silicon Image cites to evidence showing Analogix went to
17 great lengths to obtain Silicon Image's intellectual property. *See, e.g.*, Declaration of Michael R.
18 O'Neill in Support of Plaintiff and Counter-Defendant Silicon Image, Inc.'s Opposition to Analogix
19 Semiconductor, Inc.s Motion for Summary Judgment ("O'Neill Opposition Declaration"), Ex. D
20 (Deposition of Kewei Yang, testifying that **REDACTED**

21 **REDACTED** at 15-17; Ex. E (February 2005 email between Analogix employees stating that

22 **REDACTED**

23 **REDACTED**

; Ex. Y

24 (admissions by Analogix that it used Silicon Image Programmer Reference Guides to develop many
25 of its chips); Ex. Z (Deposition of Akyra Pagoulatos, testifying that **REDACTED**

26 **REDACTED**

27 The dispute between Silicon Image and Analogix regarding the availability of injunctive
28 relief turns of the scope of injunctive relief a court is permitted award on the basis of a finding of

1 liability. Analogix suggests that injunctive relief must be limited to the copyright that has been
2 found infringed and therefore, that the relevant question is only whether there is a threat of future
3 violations of that particular copyright. Silicon Image, on the other hand, assumes that in addressing
4 the likelihood of future violations, the Court is not limited to the copyright that was infringed, but
5 rather, may consider whether there is a likelihood that *other* copyrights will be infringed. Indeed,
6 Silicon Image does not argue that Analogix is likely to infringe the 9030 copyright again as the basis
7 for its request for injunctive relief. The Court concludes that Silicon Image has framed the issue
8 correctly and that Analogix's focus on the 9030 copyright is overly narrow.

9 Under the Copyright Act, where infringement of a copyright has been found, the court may
10 "grant temporary or final injunctions on such terms as it may deem reasonable to prevent or restrain
11 infringement of a copyright." 17 U.S.C. § 502(a). It is established that "[i]njunctive relief should be
12 narrowly tailored to fit specific legal violations" and "should not impose unnecessary burdens on
13 lawful activity." *Waldman Publishing Corp. v. Landoll, Inc.*, 43 F.3d 775, 785 (2d Cir. 1994).
14 Nonetheless, the Court has found no authority for the proposition that injunctive relief under the
15 Copyright Act is limited to the copyright on which liability has been found. To the contrary, in cases
16 where courts have found that defendants have engaged in a pattern of infringing the plaintiffs'
17 copyrights such that there is a threat that other copyrights owned by the plaintiffs will be infringed,
18 they have routinely entered injunctions that enjoin infringement by those defendants of *all* of the
19 plaintiffs' copyrights, even if the copyrighted works have not yet been created. *See, e.g., Princeton*
20 *University Press v. Michigan Document Services, Inc.*, 99 F.3d 1381, 1392 (6th Cir. 1996) ("[t]he
21 weight of authority supports the extension of injunctive relief to future works"); *Sony BMG Music*
22 *Entertainment v. Porter*, 2008 WL 4460284 (E.D. Wash. October 2, 2008) ("[w]here necessary to
23 prevent future infringement, a permanent injunction may be tailored to enjoin the infringement of
24 copyrighted works not yet in existence"); *Sailor Music v. IML Corp.*, 867 F. Supp. 565, 569 (E.D.
25 Mich. 1994) ("[p]ermanent injunctions are typically granted when there is evidence of an unlawful
26 encroachment upon any musical composition that has been licensed through the American Society of
27 Composers, Authors and Publishers because of the strong probability that unlawful performances of
28 other copyrighted material will occur"); *Marvin Music Co. v. BHC Ltd. Partnership*, 830 F. Supp.

1 651, 655 (D. Mass. 1993) (holding that where plaintiffs were owners of copyrights in music who
2 demonstrated that their copyrights had been infringed, they were entitled to an injunction that
3 prohibited infringement of any musical work licensed by the American Society of Composers,
4 Authors and Publishers because defendants were likely to infringing other musical copyrights).

5 In light of the case law cited above, the Court concludes that the question of whether Silicon
6 Image may be entitled to injunctive relief will require it to look beyond the threat that the 9030
7 source code is likely to be used by Analogix in the future or that the April 4 Email will be resent.
8 Instead, the Court will need to consider whether there is a threat that *other* Silicon Image copyrights
9 – including copyrights that do not yet exist – are likely to be infringed by Analogix. Analogix has
10 failed to cite to any authority that persuades the Court that it is entitled to summary judgment on this
11 question.

12 2. The False Advertising Claim

13 Analogix argues that it is entitled to summary judgment on this claim because: 1) Silicon
14 Image has not pointed to any evidence that it actually marketed its chips as “drop-in-replaceable” and
15 2) there is no evidence that any customer was actually misled by the representation. The Court
16 rejects both arguments.

17 a. Evidence that Analogix Advertised Chips as Drop-In Replaceable

18 Silicon Image bases its false advertising claim on the theory that Analogix advertised its
19 chips as “drop-in replaceable” with those of Silicon Image, thus implying that the chips were pin-
20 compatible, register compatible *and* software compatible. In fact, Silicon Image asserts, there is
21 strong evidence that Analogix was never able to make its chips software compatible with those of
22 Silicon Image and therefore, these representations were false. A review of the evidence cited by
23 Silicon Image in support of its false advertising claim reveals that some of the representations
24 referred only to pin or register compatibility and thus do not constitute false advertising under
25 Silicon Image’s own theory of the claim. *See, e.g.,* O’Neill Opposition Decl., Ex. W (Deposition of
26 Jack Hsieh, testifying that he told an Analogix customer that the ANX 9030 and the SiI9030 were
27 “pin-to-pin” compatible but that the firmware would be “totally different”).
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Other evidence, however, suggests that Analogix customers were told that Analogix chips were “compatible” or “drop-in replaceable.” *See, e.g.,* O’Neill Opposition Decl., Ex. Q (Powerpoint presentation by Analogix addressing

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REDACTED ; Ex. S (internal Analogix email suggesting

REDACTED

REDACTED ; Ex. AA (same); Ex. U (suggesting that Analogix sales representative told customer

REDACTED

REDACTED

Ex. V (email from **REDACTED**

Analogix sales representative **REDACTED** to **REDACTED** stating that **REDACTED**

REDACTED

In light of this evidence, the Court concludes that

there is at least a fact question as to whether Analogix told customers its chips were drop-in replaceable.

b. Evidence that Customers Were Likely to be Misled

Analogix argues that Silicon Image’s false advertising claim fails because there is no extrinsic evidence showing that the alleged statements that Analogix chips were drop-in replaceable would tend to mislead a reasonable consumer. Silicon Image asserts that it is not required to present extrinsic evidence that its customers were misled and that its claim should survive summary judgment because a reasonable consumer would be misled by Analogix’s statements. The Court concludes that Silicon Image is not required to provide extrinsic evidence in support of its unfair competition claim and that there is a fact question as to this issue.

Under California law, in order to prevail on an unfair competition claim based on false advertising, a plaintiff must establish that the advertisement or conduct is “likely to deceive” a “reasonable consumer.” *Lavie v. Proctor & Gamble Co.*, 105 Cal. App. 4th 496, 506-508 (2003). The reasonable consumer is the “ordinary consumer within the target population.” *Id.* at 510. He or she is neither “exceptionally acute and sophisticated” nor “the least sophisticated consumer.” *Id.* Further, even “[a] perfectly true statement couched in such a manner that it is likely to mislead or deceive the consumer, such as by failure to disclose other relevant information, is actionable.” *Day v. AT & T Corp.*, 63 Cal. App. 4th 325, 332-333 (1998).

1 California courts have held that “[t]he falsity of . . . advertising claims may be established by
2 testing, scientific literature, or anecdotal evidence.” *Consumer Advocates v. Echostar Satellite*
3 *Corp.*, 113 Cal. App. 4th 1351, 1362 (2003) (quoting *National Council Against Health Fraud, Inc. v.*
4 *King Bio Pharmaceuticals, Inc.*, 107 Cal. App. 4th 1336, 1348 (2003)). “[W]ith regard to the
5 showing of deception, ‘the primary evidence in a false advertising case is the advertising itself.’”
6 *Colgan v. Leatherman Tool Group Inc.*, 135 Cal. App. 4th 663, 682 (2006) (quoting *Brockey v.*
7 *Moore*, 107 Cal. App. 4th 86, 100 (2003)). In *Colgan*, the court of appeal affirmed the trial court’s
8 summary judgment on a false advertising claim in favor of the plaintiff where the defendant,
9 Leatherman Tool Group, had marketed its tools as “Made in U.S.A.” and where undisputed evidence
10 showed that significant work on the tools had been performed outside of the United States. 135 Cal.
11 App. 4th at 681. The court of appeal rejected the defendant’s assertion, based on a line of federal
12 authority applying California law, that the plaintiff was required to present extrinsic evidence, such
13 as consumer surveys, to show consumers had been misled. *Id.* The court found that these cases do
14 not accurately reflect California law, citing to *Echostar. Id.*

15 In *Echostar*, the defendant was a provider of satellite television service and advertised in its
16 brochure that its service included an on-screen program guide that would allow a consumer view the
17 schedule “up to 7 days in advance” and that 50 channels would be provided. 113 Cal. App. 4th at
18 1353. The trial court granted summary judgment in favor of the defendant on plaintiff’s false
19 advertising claim, finding that the plaintiff had not shown that a reasonable consumer would be
20 misled by the statements. *Id.* at 1358. The court of appeal reversed, finding that whether a
21 reasonable consumer would be misled raised fact questions that could not be resolved on summary
22 judgment. *Id.* at 1361-1362. In reaching this conclusion, the court rejected the federal cases that
23 have held that California unfair advertising claims require extrinsic evidence to show the public is
24 likely to be misled. *Id.* at 1362. It went on to acknowledge that the defendants’ explanations of the
25 statements might be technically true; the defendants argued that the statement that consumers could
26 view the schedule up to seven days in advance meant only that the system had the capacity to show
27 the schedule up to seven days in advance and that the statement that customers would receive 50
28 channels was not a statement that all 50 channels would be available at all times. *Id.* Nonetheless,

1 the court concluded that it could not say that there was no triable fact as to whether the statements
2 were untrue or misleading. *Id.*

3 Here, Silicon Image has pointed to statements made by Analogix that its chips are
4 "compatible" and "drop-in replaceable" with Silicon Image chips. The evidence is undisputed that
5 these chips were not software compatible with those of Silicon Image, even if they were pin and
6 register compatible. Thus, the question of whether reasonable consumers in the target group would
7 be likely to be deceived or misled depends on how they would understand these representations, that
8 is, whether they would be likely to believe the statements meant Analogix's chips are software
9 compatible. As in *Echostar*, Silicon Image has not presented evidence showing that the engineers
10 and business people who are told that Analogix's chips were compatible would likely have been
11 misled into thinking the chips were software compatible. Nonetheless, to the extent that a reasonable
12 interpretation of "compatible" and "drop-in replaceable" could encompass software compatibility as
13 well as pin and register compatibility, the Court concludes that a fact question remains for trial, as in
14 *Echostar*.

15 The Court rejects Analogix's reliance on the federal cases that have held that false
16 advertising claims under California law require extrinsic evidence that customers are likely to be
17 deceived. See, e.g., *Rice v. Fox Broadcasting Co.*, 330 F.3d 1170, 1182 n.8 (9th 2003); *Heighley v.*
18 *J.C. Penney Life Ins. Co.*, 257 F. Supp. 2d 1241, 1260 (C.D. Cal. 2003). As discussed above,
19 California courts of appeal have rejected this interpretation of California law. Most recently, the
20 court in *Colgan* explained that this line of federal cases improperly imported into California unfair
21 competition law standards of proof derived from the federal Lanham Act which, in contrast to
22 California law, requires plaintiffs to demonstrate that misleading statements deceived "a significant
23 portion of the recipients." 135 Cal. App. 4th at 681.

24 This court is not bound by the district court cases on which Analogix relies. Further, to the
25 extent that the Ninth Circuit also adopted the extrinsic evidence requirement in *Rice*, albeit without
26 any significant discussion of the question, that case was "only binding in the absence of any
27 subsequent indication from the California courts that [the Ninth Circuit's] interpretation was
28 incorrect." See *Owen by and through Owen v. U.S.*, 713 F.2d 1461, 1464 (9th Cir. 1983). As several

1 California appellate courts have rejected the Ninth Circuit's interpretation of California law and the
2 Court finds no California case in which the federal courts' interpretation of California law has been
3 approved, the Court concludes that it must follow the more recent California cases on the question of
4 extrinsic evidence. *Id.* (quoting *Andrade v. City of Phoenix*, 692 F.2d 557, 559 (9th Cir. 1982) for
5 proposition that "[i]n the absence of a pronouncement by the highest court of a state, the federal
6 courts must follow the decision of the intermediate appellate courts of the state unless there is
7 convincing evidence that the highest court of the state would decide differently").

8 The Court denies Analogix's motion for summary judgment as to Silicon Image's false
9 advertising claim.

10 IV. CONCLUSION

11 For the reasons stated above, Analogix's motion for summary judgment is DENIED except as
12 to the question of whether Silicon Image's source code is substantially similar to that of Analogix.
13 On that point, the Court holds, as a matter of law, that Silicon Image's source code is not
14 substantially similar to Analogix Source code and therefore, that Analogix's source code does not
15 infringe Silicon Image's copyrights. Silicon Image's motion for summary judgment is GRANTED.
16 Analogix's counterclaim is dismissed with prejudice to the extent Analogix seeks actual, but not
17 nominal, damages. Analogix will be permitted to proceed on this claim only to the extent that it
18 seeks nominal damages.

19
20 IT IS SO ORDERED.

21
22 Dated: November 3, 2008

23
24 
JOSEPH C. SPERO
United States Magistrate Judge

UNITED STATES DISTRICT COURT
FOR THE
NORTHERN DISTRICT OF CALIFORNIA

SILICON IMAGE, INC.,
Plaintiff,

Case Number: CV07-00635 JCS

CERTIFICATE OF SERVICE

v.

ANALOGIX SEMICONDUCTOR, INC. et al,
Defendant.

I, the undersigned, hereby certify that I am an employee in the Office of the Clerk, U.S. District Court, Northern District of California.

That on November 3, 2008, I SERVED a true and correct copy(ies) of the attached, Order re Motions for Summary Judgment (Dockets #207, 175) by placing said copy(ies) in a postage paid envelope addressed to the person(s) hereinafter listed, by depositing said envelope in the U.S. Mail, or by placing said copy(ies) into an inter-office delivery receptacle located in the Clerk's office.

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Dated: November 3, 2008

Lashanda Scott
Richard W. Wieking, Clerk
By: Lashanda Scott, Deputy Clerk